

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suede G. Kelly.

Northern Natural Gas Company

Docket Nos. RP03-343-001  
RP03-343-002

ORDER ON REHEARING AND COMPLIANCE FILING

(Issued April 20, 2004)

1. On November 10, 2003, Northern Natural Gas Company (Northern) filed revised tariff sheets<sup>1</sup> to comply with the Commission's October 10, 2003 Order in this proceeding (October 10 Order).<sup>2</sup> The Large Local Distribution Company Coalition (Coalition) filed a request for rehearing of the October 10 Order. This order accepts revised tariff sheets in the November 10, 2003, filing effective October 14, 2003, as complying with the October 10 Order. In addition, the request for rehearing is denied, as discussed below. This order ensures that the subject tariff revisions conform to Commission policy.

**I. Background**

2. In its April 14, 2003 filing, Northern proposed changes to section 26 (Request for Throughput Service) and section 52 (Right of First Refusal) of its General Terms and Conditions (GT&C) to establish a new provision permitting it to reserve capacity for future expansion projects. Northern proposed, inter alia, that before reserving capacity, Northern would post all of its available capacity for sale pursuant to the general provisions of section 26 governing its posting of capacity for sale (pre-reservation posting). The purpose of this posting is to ensure that any capacity

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<sup>1</sup> Substitute Seventh Revised Sheet No. 252, Substitute Third Revised Sheet No. 253, and Substitute First Sheet No. 253A to FERC Gas Tariff, Fifth Revised Volume No. 1.

<sup>2</sup> 105 FERC ¶ 61,057 (2003).

reserved for an expansion is truly unsubscribed at the time of the reservation, in other words, that no shipper desires the capacity given the pipeline's current configuration. Northern also proposed that it would hold an open season for the expansion project (expansion open season) either before it reserves the capacity or within one year thereafter. In its May 14, 2003, Order in this proceeding,<sup>3</sup> the Commission accepted and suspended the proposed tariff sheets effective October 14, 2003, or a date specified in a further order of the Commission, subject to refund and conditions and further review following comments from the parties.

3. In its comments, the Coalition argued that requests of existing customers to realign their primary points in response to the pre-reservation posting of existing capacity should have priority over requests for future capacity received during the expansion open season. The Coalition stated its concern that in the circumstances where Northern makes its pre-reservation posting of existing capacity prior to an expansion open season, Northern may honor requests for additional mainline service but defer action on requests for changes in receipt and delivery points until after Northern holds the open season for the expansion. The Coalition also stated its concern that when Northern makes its pre-reservation posting of existing capacity after holding the expansion open season, it might give a higher priority to requests received during the open season than to requests to realign points received in response to the pre-reservation posting of existing capacity. The Coalition argued that Northern must clarify its proposal to ensure the capacity reservation process does not serve as a mechanism to abrogate the rights of existing shippers to realign primary points.

4. In the October 10 Order, the Commission noted that Northern, in its June 3, 2003, response to the comments (at 7), asserted that when it makes its pre-reservation posting of existing capacity it will post and award the available capacity by receipt point, delivery point, and group, determined by available capacity on the mainline or branchline. The Commission also noted that Northern further asserted that point realignments of existing customers are secondary in priority to requests for incremental service on the mainline and that its tariff states that in allocating available capacity it will use a Net Present Value (NPV) calculation unless it posts a different methodology. Northern bases its NPV calculation on incremental revenues, which it defines as revenues above and beyond the current revenues it already receives from reservation charges. Therefore, Northern will treat a request for a point change as having an NPV of zero. The Commission, based upon Northern's explanation of the method it will use to post and award the capacity pursuant to its tariff, denied the Coalition's request for clarification regarding these matters.

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<sup>3</sup> 103 FERC ¶ 61,171 (2003).

## **II. Instant Rehearing**

5. In its request for rehearing, the Coalition argues that Northern's proposal abrogates the point realignment rights of existing shippers by allowing Northern to disregard point realignment requests in favor of the possibility that an expansion shipper might some day need the associated mainline capacity for a mainline expansion project that has not yet come to fruition. This is because the Coalition interprets Northern's proposal as giving requests for immediate point realignment a lower priority than a request for future service as part of an expansion. The Coalition argues that this denies the existing shippers an opportunity to make the most efficient use of their capacity. The Coalition contends that, accordingly, the Commission must direct Northern to clarify that Northern cannot reserve capacity needed to accommodate an existing shipper's point realignment request for a future expansion project, and that requests for point realignment instead will have priority over requests for future capacity.

6. We deny the Coalition's request for rehearing. Northern's proposed tariff provisions concerning the reservation of capacity, as revised pursuant to the October 10 Order, will not adversely affect the ability of existing shippers to obtain primary point changes in the manner described by the Coalition. In the October 10 Order, the Commission required that Northern clarify that before reserving capacity for an expansion it will post and award available capacity for sale pursuant to section 26 of its GT&C. The pre-reservation posting is a condition precedent to reserving capacity under the subject provisions. Its purpose is to permit any shipper who desires the capacity based on the current configuration of the pipeline to obtain that capacity before it is reserved for an expansion. This ensures that the only capacity that Northern could reserve is capacity that the existing shippers do not desire. An existing shipper desiring to change its primary point can make such a request in response to the pre-reservation posting. Since the pre-reservation posting is separate from the open season for the expansion, Northern must evaluate any bids received in response to the pre-reservation posting without regard to whatever bids are received in the expansion open season. To the extent that a point change request is the highest bid for the capacity among the bids received in response to the pre-reservation posting, Northern must grant that request. Northern cannot defer action on requests for point changes received in the pre-reservation posting until a subsequent expansion open season. Further, Northern cannot give a higher priority to prior requests received during the expansion open season than requests for point changes which it receives in the pre-reservation posting. Thus, existing shippers will have the opportunity to change points before the capacity is reserved. Therefore, there is no basis for the Coalition's assertions regarding an improper priority related to requests for future service in the posting and award of capacity prior to reservation. However, after capacity is reserved for an expansion, any points reserved are available for point

changes only on an interim limited-term basis up to the in-service date of the expansion facilities.

### **III. Compliance Filing**

7. In its November 10, 2003, filing, Northern states that to comply with the October 10 Order, it revised its proposed tariff language to: (1) state that capacity will be posted for bidding for at least five (5) business days before it can be reserved; (2) expressly state that available capacity will be posted and awarded in accordance with section 26 of the GT&C of its tariff; (3) clarify that capacity may only be reserved until the expansion facilities related to the certificate filing for which the capacity was reserved are placed in service; (4) remove the proposed tariff language permitting Northern not to repost capacity committed to in written agreements with participants in the expansion open season; (5) provide that, in the event Northern includes the solicitation for turnback capacity in the reservation posting, the reservation of capacity must be posted no later than 90 days following an open season for the project; and, (6) clarify that the reserved capacity will be made available on a limited term basis up to the in-service date of the expansion facilities.

8. Public notice of the November 10, 2003 compliance filing was issued on November 14, 2003. Protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2003). No protests were filed.

9. Northern's November 10, 2003, filing complies with the October 10 Order. Therefore, Northern's revised tariff sheets are accepted to be effective October 14, 2003.

#### **The Commission orders:**

(A) The revised tariff sheets listed in footnote No. 1 of this order are accepted, effective October 14, 2003, as in compliance with the October 10 Order.

(B) The Coalition's request for rehearing of the October 10 Order is denied.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.